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**FINAL**

# GREAT PARK FINANCIAL FEASIBILITY AND FISCAL ANALYSIS

Prepared for:

Orange County Local Agency Formation Commission

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# INTRODUCTION AND FINDINGS

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## INTRODUCTION

The City of Irvine has proposed to annex the former El Toro Marine Corp Air Station (MCAS) as a part of the base's disposition by the federal government. As a part of this annexation application the City has developed a conceptual plan for El Toro that proposes the creation of large public park and related recreation facilities—the "Great Park". The uses proposed for the site would also include substantial private-sector development as well as other public and quasi-public facilities (e.g., college, museum, cemetery, etc.). Central to the City's conceptual plan for El Toro is the commitment that required infrastructure improvements and proposed amenities would be financed by the development opportunities created on the site and that City services and maintenance obligations required over time would not draw upon fiscal resources from the balance of the City.

The Great Park development as proposed by the City is divided into four large "parcels," each with differing mixes of proposed residential, commercial, recreational, educational and open space uses. The parcels will be auctioned individually to the highest bidder by the U.S. General Services Administration. The zoning for the land uses specified for each of the parcels under the "Overlay Plan" is conditioned on the agreement by a developer to a number of conditions, including payment of a development fee, participation in a community facilities district that will provide funding for infrastructure and ongoing maintenance, and execution of a development agreement that has already been prepared by the City and its consultants. If the purchaser does not agree to these terms, the parcel in question would be entitled only to a level known as "Base" zoning, consisting of limited commercial entitlements and virtually no residential development.

The Local Agency Formation Commission (LAFCO) as a part of its responsibilities in consideration of the annexation application must evaluate potential impacts upon any affected agency and the feasibility of constructing the necessary infrastructure and providing services to the annexed area.

Economic & Planning Systems, Inc. (EPS) was retained by the Orange County LAFCO to conduct the required fiscal and financial feasibility analysis of the proposed El Toro Project, including any potential fiscal effects and the feasibility of proposed infrastructure financing mechanisms. This Report presents the conclusions of this analysis and the related technical documentation.

## **FINDINGS**

### ***1. The Great Park Project generates an annual fiscal benefit to the City.***

Property tax revenue from new development represents the greatest contribution to the City, approximately 37 percent of all revenues likely to accrue to the City.<sup>1</sup> As shown on **Table 1**, the Great Park Plan will generate an annual fiscal surplus of approximately \$500,000 at buildout. This amount consists of a net surplus of approximately \$626,000 to the City's general fund and a negative impact of approximately \$126,000 to a public benefit corporation set up to handle park and open space maintenance. The project will be fiscally neutral or positive for the City, assuming that certain properties already within the City limits but within the project area are included.

### ***2. The Great Park Plan generates an annual fiscal benefit to the County.***

Property tax from the new development represents the greatest contribution to the County, approximately 69 percent of the total. As shown on **Table 2**, the Great Park will generate an annual fiscal surplus of approximately \$1.6 million to the County overall, which includes a surplus of \$137,000 to the general fund, \$198,000 to the Library Fund, and \$1.2 million to the Orange County Fire Authority (OCFA).

### ***3. The proposed financing plan, while highly innovative, appears to be sound.***

The financial analysis explored the ability of the Project to fund the proposed range of public infrastructure, facilities, and amenities. This analysis concludes that the project is financially feasible, and appears able to support the burden of the infrastructure needed to support it, assuming that a number of factors proceed as planned.

### ***4. Success of the Project at achieving its objectives will be dependent upon a range of future events.***

The plan for the Great Park presumes that a number of key events and components fall into place as disposition and development proceeds. The failure of one or more of these factors to turn out as planned could place unsustainable strain on the financing and development plan proposed by the City. These presumptions fall into six categories, explained in greater detail below:

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<sup>1</sup> Not including the maintenance special tax, which will total approximately \$11.2 million annually.

**Table 1**  
**Summary of City Fiscal Impacts**  
**Great Park Fiscal Impact Analysis (City of Irvine)**

<b>Item</b>	<b>Amount</b>
<b>Revenues</b>	
Property Tax (2)	\$330,154
Transfer Tax	\$86,428
Sales Tax	\$3,799,750
Utility Tax	\$349,751
Transient Occupancy Tax	\$0
Licenses & Permits	\$55,067
Fines and Forfeitures	\$125,356
Franchise Tax	\$207,707
Other Agencies (3)	\$452,331
Community Service Fees	\$253,888
Development Fees	\$0
Miscellaneous (4)	<u>\$0</u>
Subtotal Revenues	<b>\$5,660,432</b>
<b>Expenditures</b>	
City Manager	\$227,210
Administrative Services	\$243,673
Community Dev. Dept.	\$69,618
Community Services	\$789,393
Public Safety	\$2,552,884
Public Works	\$1,151,132
Non-Departmental	<u>\$0</u>
Subtotal Expenditures	<b><u>\$5,033,909</u></b>
<b>Net Fiscal Balance</b>	<b>\$626,523</b>
<b>Public Benefit Corporation</b>	
Revenues	\$9,333,914
Expenditures	<u>\$9,460,031</u>
<b>Net Fiscal Balance</b>	<b>(\$126,116)</b>
<b>Total Fiscal Balance</b>	<b>\$500,406</b>

**Table 2**  
**Summary of County Fiscal Impacts**  
**Great Park Fiscal Impact Analysis (County of Orange)**

<b>Item</b>	<b>Amount</b>
<b>General Fund Fiscal Impacts</b>	
<b>Revenues</b>	
Property Tax	\$805,687
Transfer Tax	\$38,277
Sales Tax	--
Motor Vehicle In-Lieu	\$308,951
Library Fund	\$13,729
Transient Occupancy Tax	--
Licenses & Permits	--
Fines and Forfeitures	--
Franchise Tax	--
Other Agencies	--
<b>Subtotal Revenues</b>	<b>\$1,166,643</b>
<b>Expenditures</b>	
Sheriff Jail Costs	\$54,421
Public Protection	\$362,380
Community Services	\$210,712
Infrastructure/Environmental	\$65,007
General Government	\$134,495
Capital Improvements	\$123,467
Insurance, Reserves, Misc.	\$78,839
Harbors, Beaches, & Parks	--
<b>Subtotal Expenditures</b>	<b><u>\$1,029,323</u></b>
<b>Net General Fund Impact</b>	<b>\$137,320</b>
<b>Library Fund Fiscal Impacts</b>	
Library Fund Revenues	\$280,968
Library Service Costs	<u>\$82,484</u>
<b>Library Fund Impact</b>	<b>\$198,484</b>
<b>Fire Authority Fiscal Impacts</b>	
Fire Authority Revenues	\$1,797,466
Fire Authority Service Costs	\$560,668
<b>Fire Authority Impact</b>	<b><u>\$1,236,798</u></b>
<b>Net County Fiscal Impacts</b>	<b>\$1,572,601</b>

- Development Agreement. Development of the site can occur with or without a development agreement; however, the broad range of City goals specified in their Great Park Plan require developers to opt for the “Overlay Plan”.
- University (college) development. It is presumed that the college proposed for the site would fund its allocated share of infrastructure costs, whether by contributing to park maintenance special taxes, by making an up-front payment, or by some mechanism. The ability of a local jurisdiction to recover the full cost of infrastructure development or services costs from public institutions is statutorily limited. In any event, funding mechanisms will be established so that any share of infrastructure costs otherwise allocated to the campus would be reallocated to the remainder of the master parcel.
- Infrastructure Development Schedule. The infrastructure development schedule is quite aggressive, presuming the simultaneous development of all four parcels, and depends upon the availability of the funds needed for infrastructure almost immediately. Delays in infrastructure development could undermine the financial viability of the project and its ability to support the necessary infrastructure.
- Market Values. EPS has for the most part used the market values estimated in the materials provided by the City, after verification with other sources. In some cases, such as the commercial recreation and cemetery uses, EPS has utilized its own methodology to arrive at an estimate of value. A significant downward deviation in the estimated market values would affect the economics of the purchasers of the land, and reduce the property tax revenue to the City and County.
- Infrastructure Costs. EPS has reviewed the infrastructure cost estimates prepared by the City, and they appear reasonable. In addition to the customary contingency factor of approximately fifteen percent, the City has built into the cost estimate an additional \$18 million for unspecified additional infrastructure costs. The cost estimates have been incorporated into the EPS analysis unchanged. A significant increase in the infrastructure cost estimates could affect the viability of the project and its ability to construct the necessary infrastructure.
- Development Absorption. EPS has examined the absorption schedule in the City’s analysis. Based on its own analysis, EPS has concluded that the residential market in southern Orange County is quite strong and can support the absorption schedule proposed by the City. The commercial market is not as strong, and commercial development may not be absorbed as quickly as anticipated.



Several of these factors, including market values, infrastructure costs, and absorption, are risks common to most development projects. The unique transaction structure proposed by the City of Irvine, however, and its relative inflexibility owing to its dependence on the willingness of developers to sign an existing development agreement, makes the Great Park plan more susceptible to these factors than might normally be the case.

## THE GREAT PARK PROJECT

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The City has devised a detailed plan for the transfer and development of the former El Toro MCAS. The City, along with its consultants, has created a complete development plan, with zoning, known as the “Overlay Plan”. The Overlay Plan is divided into four parcels. Accompanying this plan are a development agreement and associated documents that provide that a winning bidder must accept the development agreement in order to receive the upgraded zoning contained in the Overlay Plan. The City has engaged consultants to formulate backbone infrastructure estimates for the Overlay Plan, with a total cost of approximately \$372 million. **Table 3** summarizes the sources and uses of infrastructure funding for the Overlay Plan. The most significant requirements under the development agreement, requirements that must be met for the property to receive the Overlay zoning, are as follows:

- The purchasers must pay development agreement fees to the City totaling \$200 million for the costs of infrastructure and other improvements. The Development Agreement calls for payment in four installments over the course of two years following the signing of the agreement. The payments due for each parcel are as follows:
  - Parcel 1. \$48,000,000
  - Parcel 2. \$54,000,000
  - Parcel 3. \$68,000,000
  - Parcel 4. \$30,000,000

The difference in payment reflects an estimate on the part of the City of the relative development value of each Parcel.

- The purchasers must cooperate in the creation of a Community Facilities District (CFD) intended to raise an additional \$172 million in infrastructure funding (for a total of \$372 million). The special taxes needed to service this debt, along with a maintenance assessment and other property taxes, will total approximately two percent of the improved value of the entire Great Park Development, and will increase by two percent per year thereafter. Based on the special tax allocations contained in a report prepared by Taussig & Associates, Inc., for Great Park, the approximate bonded indebtedness for each parcel will be as follows:
  - Parcel 1. \$53,000,000
  - Parcel 2. \$60,000,000
  - Parcel 3. \$74,000,000
  - Parcel 4. \$33,000,000

**Table 3**  
**Sources and Uses**  
**Orange County Great Park Analysis - Overlay Plan**

<b>Item</b>	<b>Amount</b>
<b>Sources</b>	
Development Impact Fees	200,000,000
CFD Bond Proceeds	<u>172,000,000</u>
Total	372,000,000
<b>Uses</b>	
Infrastructure Improvements	372,000,000

Source: City of Irvine

- In the event the City is unable to form the CFD to fund infrastructure improvements, the development agreement calls for payment of a supplemental development agreement fee, totaling \$50,000,000:
  - Parcel 1. \$12,000,000
  - Parcel 2. \$14,500,000
  - Parcel 3. \$17,000,000
  - Parcel 4. \$ 7,500,000

Developers of each of the parcels will be required to pay special taxes to support this debt burden well in advance of development of the parcels. Assuming that the project develops as envisioned by the City, the developers of the parcels will pay approximately \$57,000,000 in special taxes before the land is developed. If any delays occur, this burden will increase. Upon the sale of the improved land or development, the special tax burden will shift to the new owner.

- If the purchasers elect not to sign the Development Agreement, the property will not receive the “Overlay Zoning” and will be subject to “Base Zoning”.<sup>2</sup>

As shown on **Table 3**, the financing components are exactly calibrated to the expected backbone infrastructure costs associated with the Overlay Plan. If the costs were to increase, or the financing sources decrease, other components of the financing plan would need to shift.

## **DEVELOPMENT PLAN**

**Table 4** details the anticipated development under the Overlay Plan. The developed uses include 2,600 single-family homes, 1,025 multifamily and senior residential units; 3.9 million square feet of commercial space, including retail, office, and a sports park; 472,500 square feet of institutional uses; a golf course encompassing 526 acres; a cemetery covering 73 acres; and 260 acres of land set aside for a university. The central feature, and the project’s namesake, will be a gated “Great Park” encompassing approximately 406 acres.

**Table 5** provides a detailed description of the phasing of development at Great Park, broken down into parcel, types of development and annual cumulative amounts. As can be seen on **Table 5**, the development is expected to be completed within ten years, by 2013. This development pace calls for an aggressive infrastructure schedule, and requires that the necessary funding, including development fees and bond proceeds, be in place at the beginning of the project.

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<sup>2</sup> The Base Zoning includes most of the university and open space uses, approximately one million square feet of commercial uses, and the auto center, but does not include any residential uses. The City has not provided an infrastructure plan for the Base Zoning.

**Table 4**  
**Project Description**  
**Orange County Great Park Analysis - Overlay Plan**

Type	Units	Square Feet	Acreage
<b>Residential</b>			
Single Family	2,600		465
Multifamily	165		20
Senior Housing	800		80
Educational Housing	<u>60</u>		<u>15</u>
Total	3,625		580
<b>Commercial</b>			
Office		75,000	5
Institutional		739,000	155
R&D		2,600,000	200
Retail		300,000	43
Auto Mall		102,000	34
Commercial Recreation		826,000	249
University Acreage		1,452,594	260
Golf Course		25,000	526
Cemetary		50,000	73
Agriculture			303
OS - Sports Park		26,000	165
Other Open Space (1)			<u>962</u>
Total			2,975
Total Project			3,555

(1) Park, Wildlife Corridor, Drainage Corridor

Source: City of Irvine

**Table 5**  
**Project Phasing**  
**Orange County Great Park Analysis - Overlay Plan**

Land Use	Buildout SF/Units	Buildout Acres	Calendar Year					
			2003	2004	2005	2006	2007	2008
<b><u>Parcel 1</u></b>								
R&D North Building (SF)	1,000,000	79	0	0	0	125,000	250,000	375,000
Educational Retail (SF)	225,000	33	0	0	0	0	0	0
Senior Housing Units	800	80	0	0	0	200	400	600
Educational Units	60	15	0	0	0	0	60	60
University Acreage	1,452,594	260	0	0	100	100	100	100
Long Term Ag	0	200	0	0	200	200	200	200
OS - Sports Park	26,000	165	0	0	165	165	165	165
OS - Drainage Corridor	0	114	0	0	114	114	114	114
<b><u>Parcel 2</u></b>								
Residential North Units	850	270	0	0	0	250	500	750
Residential South Units	250	50	0	0	0	0	0	100
Transitional Housing (?)	165	20	0	0	0	50	100	150
Commercial Recreation (SF)	826,000	249	0	0	0	100,000	200,000	300,000
Golf Course	25,000	526	0	0	210	526	526	526
Cemetery	50,000	73	0	0	73	73	73	73
Long Term Ag	0	103	0	0	103	103	103	103
OS - Park	0	160	0	0	160	160	160	160
OS - Drainage Corridor	0	115	0	0	115	115	115	115
OS - Wildlife Corridor	0	118	0	0	118	118	118	118
<b><u>Parcel 3</u></b>								
T.O.D. Retail Building (SF)	75,000	10	0	0	0	0	0	0
T.O.D. Office Building (SF)	75,000	5	0	0	0	0	0	0
T.O.D. Residential Units	1,500	145	0	0	0	250	500	750
Institutional Building (SF)	616,500	120	0	0	0	0	50,000	100,000
Institutional - OCTA Bldg (SF)	122,500	35	0	0	0	0	0	0
T.O.D. - public uses	0	15	0	0	15	15	15	15
T.O.D. - OS amenities	0	15	0	0	15	15	15	15
OS - park	0	104	0	0	104	104	104	104
OS - Agriculture	0	0	0	0	0	0	0	0

**Table 5**  
**Project Phasing**  
**Orange County Great Park Analysis - Overlay Plan**

Land Use	Buildout SF/Units	Buildout Acres	Calendar Year					
			2003	2004	2005	2006	2007	2008
<b><u>Parcel 4</u></b>								
R&D South Building (SF)	1,600,000	121	0	0	0	250,000	500,000	750,000
Auto Center Building (SF)	102,000	34	0	0	0	0	25,000	50,000
OS - Wildlife Corridor	0	61	0	0	61	61	61	61
OS - Sports park	0	0	0	0	0	0	0	0
OS - Agriculture	0	0	0	0	0	0	0	0
<b><u>TOTAL/SUMMARY</u></b>								
Residential Units	3,625	580	0	0	0	750	1,560	2,410
Office	75,000	5	0	0	0	0	0	0
Institutional	739,000	155	0	0	0	0	50,000	100,000
R&D	2,600,000	200	0	0	0	375,000	750,000	1,125,000
Retail	300,000	43	0	0	0	0	0	0
Auto Mall	102,000	34	0	0	0	0	25,000	50,000
Commercial Recreation	826,000	249	0	0	0	100,000	200,000	300,000
University Acreage	1,452,594	260	0	0	100	100	100	100
Golf Course	25,000	526	0	0	210	526	526	526
Cemetary	50,000	73	0	0	73	73	73	73
Agriculture	0	303	0	0	303	303	303	303
OS - Sports Park	26,000	165	0	0	165	165	165	165
Other Open Space (2)	1,452,594	962	0	0	775	775	775	775
<b>Total Square Feet</b>	7,651,813	--	0	0	0	475,000	1,025,000	1,575,000
<b>Total Acres</b>	--	3,555	0	0	1,626	1,942	1,942	1,942

(1) Remaining undeveloped acres available for development; does not include Open Space acreage.

(2) Park, Wildlife Corridor, Drainage Corridor

**Table 5**  
**Project Phasing**  
**Orange County Great Park Ar**

Land Use						
	2009	2010	2011	2012	2013	2014
<b><u>Parcel 1</u></b>						
R&D North Building (SF)	500,000	625,000	750,000	875,000	1,000,000	1,000,000
Educational Retail (SF)	0	225,000	225,000	225,000	225,000	225,000
Senior Housing Units	800	800	800	800	800	800
Educational Units	60	60	60	60	60	60
University Acreage	260	260	260	260	260	260
Long Term Ag	200	200	200	200	200	200
OS - Sports Park	165	165	165	165	165	165
OS - Drainage Corridor	114	114	114	114	114	114
<b><u>Parcel 2</u></b>						
Residential North Units	850	850	850	850	850	850
Residential South Units	250	250	250	250	250	250
Transitional Housing (?)	165	165	165	165	165	165
Commercial Recreation (SF)	400,000	500,000	600,000	700,000	826,000	826,000
Golf Course	526	526	526	526	526	526
Cemetery	73	73	73	73	73	73
Long Term Ag	103	103	103	103	103	103
OS - Park	160	160	160	160	160	160
OS - Drainage Corridor	115	115	115	115	115	115
OS - Wildlife Corridor	118	118	118	118	118	118
<b><u>Parcel 3</u></b>						
T.O.D. Retail Building (SF)	25,000	75,000	75,000	75,000	75,000	75,000
T.O.D. Office Building (SF)	25,000	75,000	75,000	75,000	75,000	75,000
T.O.D. Residential Units	1,000	1,250	1,500	1,500	1,500	1,500
Institutional Building (SF)	150,000	200,000	250,000	300,000	350,000	400,000
Institutional - OCTA Bldg (SF)	122,500	122,500	122,500	122,500	122,500	122,500
T.O.D. - public uses	15	15	15	15	15	15
T.O.D. - OS amenities	15	15	15	15	15	15
OS - park	104	104	104	104	104	104
OS - Agriculture	0	0	0	0	0	0



**Table 5**  
**Project Phasing**  
**Orange County Great Park Ar**

Land Use						
	2009	2010	2011	2012	2013	2014
<b><u>Parcel 4</u></b>						
R&D South Building (SF)	1,000,000	1,250,000	1,500,000	1,600,000	1,600,000	1,600,000
Auto Center Building (SF)	75,000	102,000	102,000	102,000	102,000	102,000
OS - Wildlife Corridor	61	61	61	61	61	61
OS - Sports park	0	0	0	0	0	0
OS - Agriculture	0	0	0	0	0	0
<b><u>TOTAL/SUMMARY</u></b>						
Residential Units	3,125	3,375	3,625	3,625	3,625	3,625
Office	25,000	75,000	75,000	75,000	75,000	75,000
Institutional	272,500	322,500	372,500	422,500	472,500	522,500
R&D	1,500,000	1,875,000	2,250,000	2,475,000	2,600,000	2,600,000
Retail	25,000	300,000	300,000	300,000	300,000	300,000
Auto Mall	75,000	102,000	102,000	102,000	102,000	102,000
Commercial Recreation	400,000	500,000	600,000	700,000	826,000	826,000
University Acreage	260	260	260	260	260	260
Golf Course	526	526	526	526	526	526
Cemetery	73	73	73	73	73	73
Agriculture	303	303	303	303	303	303
OS - Sports Park	165	165	165	165	165	165
Other Open Space (2)	775	775	775	775	775	775
<b>Total Square Feet</b>	<b>2,297,500</b>	<b>3,174,500</b>	<b>3,699,500</b>	<b>4,074,500</b>	<b>4,375,500</b>	<b>4,425,500</b>
<b>Total Acres</b>	<b>2,102</b>	<b>2,102</b>	<b>2,102</b>	<b>2,102</b>	<b>2,102</b>	<b>2,102</b>

(1) Remaining undeveloped acr

(2) Park, Wildlife Corridor, Drair

## **INFRASTRUCTURE FINANCING PLAN**

**Table 6** summarizes the infrastructure improvements required for the Great Park Development. The total calculated infrastructure costs, beyond those covered by impact fees and other existing infrastructure programs, is approximately \$372 million. The required infrastructure includes sewer and water improvements, roads, drainage corridors, telecommunications, parks and landscaping. The resources to fund these improvements will come primarily from two sources, development fees paid under the terms of the specified development agreement and Community Facilities District Bonds secured by special taxes to be put in place before development occurs. The development fees, totaling \$200 million, are paid in four installments, with the last due two years after signing of the development agreement or upon issuance of the first building permit, whichever comes first. The remaining infrastructure costs, totaling approximately \$172 million, will be funded from the proceeds of Community Facilities District Bonds.

**Table 6**  
**Infrastructure Improvements**  
**Orange County Great Park Analysis - Overlay Plan**

<b>Infrastructure Item</b>	<b>Cost</b>
Water System	\$19,822,803
Sewer System	1,079,264
Roadways	43,240,383
Dry Utilities	17,993,602
Drainage	18,491,193
Parks	253,186,318
Other Infrastructure	<u>\$17,782,134</u>
Total Costs	\$371,595,696

Source: City of Irvine

## FISCAL IMPACT ANALYSIS

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The fiscal impact analysis of the Great Park Plan evaluates the plan's potential effects upon the annual operating budgets of Orange County, the City of Irvine, and a public benefit corporation set up to manage the park and open space maintenance requirements of Great Park. El Toro MCAS is currently owned by the federal government, and therefore the City and County have minimal expenditures and revenues related to it. Under the Great Park Plan the City would be responsible for most municipal services, including police, community development and services, public works and planning. The public benefit corporation would be responsible for most park maintenance, and will receive CFD maintenance special taxes to fund these requirements. The County's role would be generally limited to providing regional services such as criminal justice, social services, environmental regulation, capital improvements and other services traditionally provided by the County to residents of cities.

### FISCAL IMPACT METHODOLOGY

This section describes the methodology and key assumptions used in assessing the fiscal impacts of the land uses specified in the Great Park Plan. The analysis is based on a number of sources, including the budgets of the City and County, other data sources, interviews with staff, and EPS experience in similar jurisdictions.

For each cost and revenue item, EPS identified the most appropriate forecasting methodology and applied it to the project descriptions, as summarized below:

- **Population.** This approach was applied to cost and revenue items that are assumed to increase or decrease in some relation to the number of residents estimated to be generated by new development in the Annexation Area, such as franchise fees, motor vehicle license tax, and library expenditures. The per capita calculations are based on the resident population projected for Great Park, while the daytime population calculations are based on the resident population and one-half of the employees projected for Great Park. Daytime population allows for an assessment of the demand placed on municipal services and revenue generated by employees and business activity in a jurisdiction.
- **Road miles.** This approach was applied to cost and revenue items that are assumed to increase or decrease in relation to the number of road miles included in the area. For example, the total number of City road miles and the relevant public works budgets were used to calculate the City's costs per road mile.

- **Park Acreage.** For park maintenance costs an average cost per acre was applied based on EPS experience in other jurisdictions and current City expenditures per acre.
- **Case study.** A case study approach was used to calculate budget items for which none of the above approaches is deemed appropriate, such as property and sales taxes and public protection services.
- **Not estimated.** Some budget items were not estimated because certain City revenues and expenditures are not affected by new development associated with this project, such as transient occupancy tax (as no hotel facilities are proposed), and the City and County's non-departmental expenses.

All revenue and expenditure forecasts are in constant (Year 2003) dollars. Key assumptions influencing estimated impacts include market value per residential unit, the property tax allocation factor, and retail spending patterns.

#### CITY OF IRVINE AND PUBLIC BENEFIT CORPORATION FISCAL IMPACTS

**Table 7** provides a summary of the City's General Fund revenues as presented in the City's 2002-2003 Adopted Budget and a general description of the method used for estimating each revenue item. Several General Fund revenue items are not forecast because they are not expected to be affected by the annexation. As shown on **Table 7**, the project overall has a positive fiscal impact on the City's general fund. **Table 8** presents a breakdown of fiscal impact to the City and Public Benefit Corporation by parcel. As can be seen on **Table 8**, parcels one and two have a negative fiscal impact on the City, primarily due to a high infrastructure maintenance burden relative to property and sales tax proceeds, while parcels three and four have a positive fiscal impact. A similar pattern exists for the public benefit corporation, with parcels three and four having a positive fiscal impact, parcel two with a negative fiscal impact, and parcel one with a minimal positive fiscal impact.

#### **Revenue Assumptions**

This section describes the methodology and assumptions used for each revenue item estimated in this analysis. Total annual revenues at buildout are expected to be approximately \$15 million (2003 dollars), including \$9.3 million in maintenance special tax proceeds.

**Table 7**  
**Budget Summary**  
**Great Park Fiscal Impact Analysis (City of Irvine)**

Item	Adjusted General Fund (2001-'02)	Estimating Factor	Estimating Method/ Table Reference
<b>Revenues</b>			
Property Tax	\$12,600,000		Table 9
Transfer Tax	\$1,200,000		Table 9
Sales Tax	\$43,254,000		Table 10
Utility Tax	\$3,068,800	\$43	per employee
Transient Occupancy Tax	\$6,500,000		not estimated
Licenses & Permits	\$898,000	\$5	per daytime population
Fines and Forfeitures	\$2,199,000	\$15	per capita
Franchise Tax	\$3,643,600	\$24	per capita
Other Agencies (1)	\$7,934,800	\$53	per capita
Community Service Fees	\$4,453,710	\$30	per capita
Development Fees	\$9,758,453	\$65	not estimated
Miscellaneous (2)	\$1,390,400	\$9	not estimated
Subtotal Revenues	\$96,900,763	\$643	
<b>Expenditures</b>			
City Manager	\$5,293,166	\$20	70% per daytime population
Administrative Services	\$5,676,713	\$21	70% per daytime population
Community Dev. Dept.	\$11,352,926	\$6	10% per daytime population
Community Services	\$18,390,011	\$69	70% per daytime population
Public Safety	\$32,636,697	\$216	Table 12
Public Works	\$18,669,338	\$124	Table 13
Non-Departmental	<u>\$7,012,309</u>	<u>\$0</u>	not estimated
Subtotal Expenditures	\$99,031,160	\$657	
<b>Public Benefit Corporation</b>			
Park Maintenance Special Tax (3)	<u>\$0</u>	<u>\$0</u>	Table 11

(1) This category consists primarily (96%) of motor vehicle license fee revenue.

(2) Primarily consists of developer payments made by the Irvine Company for a previous development project.  
New development will not affect this revenue source.

(3) Not a current source of City revenue. Future revenue calculated based on payments in year 2014, the first year following buildout.

**Table 8**  
**Fiscal Impact Summary**  
**Great Park Fiscal Impact Analysis (City of Irvine)**

Item	Projected Annual Fiscal Impacts at Buildout				
	Parcel I	Parcel II	Parcel III (1)	Parcel IV (1)	Total
<b>Revenues</b>					
Property Tax (2)	\$75,863	\$88,054	\$117,167	\$49,069	\$330,154
Transfer Tax	\$16,281	\$34,470	\$25,146	\$10,531	\$86,428
Sales Tax	\$925,000	\$62,500	\$372,250	\$2,440,000	\$3,799,750
Utility Tax	\$179,408	\$43,345	\$50,708	\$76,289	\$349,751
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0
Licenses & Permits	\$12,336	\$21,325	\$17,142	\$4,264	\$55,067
Fines and Forfeitures	\$24,831	\$57,216	\$43,309	\$0	\$125,356
Franchise Tax	\$41,143	\$94,804	\$71,761	\$0	\$207,707
Other Agencies (3)	\$89,598	\$206,457	\$156,276	\$0	\$452,331
Community Service Fees	\$50,290	\$115,882	\$87,716	\$0	\$253,888
Development Fees	\$0	\$0	\$0	\$0	\$0
Miscellaneous (4)	\$0	\$0	\$0	\$0	\$0
Subtotal Revenues	\$1,414,750	\$724,054	\$941,475	\$2,580,153	\$5,660,432
<b>Expenditures</b>					
City Manager	\$50,898	\$87,990	\$70,730	\$17,592	\$227,210
Administrative Services	\$54,586	\$94,365	\$75,855	\$18,867	\$243,673
Community Dev. Dept.	\$15,595	\$26,960	\$21,672	\$5,390	\$69,618
Community Services	\$176,835	\$305,702	\$245,737	\$61,119	\$789,393
Public Safety	\$571,881	\$988,635	\$794,710	\$197,659	\$2,552,884
Public Works	\$1,101,754	\$36,464	\$10,158	\$2,756	\$1,151,132
Non-Departmental	\$0	\$0	\$0	\$0	\$0
Subtotal Expenditures	\$1,971,549	\$1,540,117	\$1,218,862	\$303,382	\$5,033,909
<b>Public Benefit Corporation (PBC)</b>					
Revenues (Special Tax [5])	\$2,955,174	\$3,006,131	\$2,052,196	\$1,320,413	\$9,333,914
Expenditures (Park Maintenance)	\$2,767,220	\$4,926,002	\$1,313,406	\$453,403	\$9,460,031
PBC Fiscal Balance	\$187,954	(\$1,919,871)	\$738,791	\$867,010	(\$126,116)
<b>Net Fiscal Balance (w/o PBC)</b>	<b>(\$556,799)</b>	<b>(\$816,062)</b>	<b>(\$277,387)</b>	<b>\$2,276,771</b>	<b>\$626,523</b>
<b>Net Fiscal Balance (with PBC)</b>	<b>(\$368,845)</b>	<b>(\$2,735,933)</b>	<b>\$461,403</b>	<b>\$3,143,781</b>	<b>\$500,406</b>

(1) --

(2) Assumes University does not pay property tax.

(3) This category consists primarily (96%) of gas tax revenue.

(4) Primarily consists of developer payments made by the Irvine Company for a previous development project.

New development will not affect this revenue source.

(5) Not a current source of City revenue. Future revenue calculated based on payments in year 2014, the first year following buildout. Assumes University pays special tax.

### Property Tax

Property tax forecasts are based on estimates of assessed value for each of the land use alternatives. Annual property tax is one percent of assessed value, of which the City is estimated to receive approximately 1.3 percent based on the Master Property Tax Transfer Agreement between the City of Irvine and the County of Orange.<sup>3</sup>

**Table 9** details the calculations used to estimate the City's property tax revenue, and shows that the City will receive approximately \$330,000 annually in property tax generated by the Great Park Plan.

### Property Transfer Tax

The property transfer tax is \$0.55 per \$1,000 of annual transfer of residential property value. It is assumed that in any given year, an average of ten percent of the for-sale residential units will be re-sold, which is based on data from the RAND Corporation and the U.S. Census Bureau. EPS also assumes that five percent of the commercial and multifamily residential property will be resold each year, based on experience in other jurisdictions. The transfer tax revenue will be significantly greater during buildout and initial sales. After a number of years, once the Great Park property market reaches equilibrium, the property transfer tax will generate approximately \$86,000 in revenue to the City.

### Sales Tax

Sales tax generation is based on sales per square foot of commercial and retail development within Great Park. **Table 10** details the taxable sales expected to be generated by each land use, by parcel. As shown on **Table 10**, the City is projected to receive approximately \$3.8 million in sales tax revenue annually from the Great Park at buildout.

### Franchise Fees

Franchise fees are paid to local jurisdictions by utility companies for the rights to use public rights-of-way. Franchise fees are estimated at \$24 per capita based on the City's adopted budget. This per-capita revenue amount is multiplied by the estimated population generated by each land use alternative to calculate total additional franchise fee revenue for Great Park, approximately \$208,000.

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<sup>3</sup> The Property Tax Transfer and Pre-Annexation Agreement (March 4, 2003), by and among the City of Irvine, Irvine Redevelopment Agency and County of Orange specifies that the County's General Fund share of property taxes relating to the Great Park Plan will be shared pursuant to the Master Property Tax Transfer Agreement 80-2035, dated October 28, 1980, between the City of Irvine and the County of Orange, approximately 18 percent to the City of Irvine and approximately 82 percent to the County of Orange.



**Table 9**  
**Property Tax and Transfer Tax Revenues at Buildout (2013)**  
**Great Park Fiscal Impact Analysis (City of Irvine)**

Land Use	Project Description		Assessed Value at Buildout	Property Tax		Transfer Tax (3)
	SF/Units	Acres		Total (1)	To Irvine (2)	
<b>Parcel 1</b>						
R&D North Building	1,000,000	79	\$225,000,000	\$159,075	\$28,830	\$6,188
Educational Retail	225,000	33	\$45,000,000	\$31,815	\$5,766	\$1,238
Senior Housing Units	800	80	\$300,000,000	\$212,100	\$38,441	\$8,250
Educational Units	60	15	\$21,000,000	\$14,847	\$2,691	\$578
University Acreage (4)	1,452,594	260	\$0	\$0	\$0	\$0
Long Term Ag	0	200	\$800,000	\$566	\$103	\$22
Sports Park	26,000	165	\$252,500	\$179	\$32	\$7
OS - Drainage Corridor	0	114	--	--	--	--
Subtotal	2,704,454	946	\$592,052,500	\$418,581	\$75,863	\$16,281
<b>Parcel 2</b>						
Residential North Units	850	270	\$403,750,000	\$285,451	\$51,735	\$22,206
Residential South Units	250	50	\$162,500,000	\$114,888	\$20,822	\$8,938
Transitional Housing	165	20	\$26,400,000	\$18,665	\$3,383	\$726
Commercial Recreation	826,000	249	\$41,300,000	\$29,199	\$5,292	\$1,136
Golf Course	25,000	526	\$45,700,000	\$32,310	\$5,856	\$1,257
Cemetery	50,000	73	\$7,135,000	\$5,044	\$914	\$196
Long Term Ag	0	103	\$412,000	\$291	\$53	\$11
OS - Park	0	160	--	--	--	--
OS - Drainage Corridor	0	115	--	--	--	--
OS - Wildlife Corridor	0	118	--	--	--	--
Subtotal	902,265	1,684	\$687,197,000	\$485,848	\$88,054	\$34,470
<b>Parcel 3</b>						
T.O.D. Retail	75,000	10	\$18,750,000	\$13,256	\$2,403	\$516
T.O.D. Office	75,000	5	\$16,875,000	\$11,931	\$2,162	\$464
T.O.D. Residential	1,500	145	\$712,500,000	\$503,738	\$91,297	\$19,594
Institutional Building	616,500	120	\$138,712,500	\$98,070	\$17,774	\$3,815
Institutional - OCTA Bldg	122,500	35	\$27,562,500	\$19,487	\$3,532	\$758
Long Term Ag	0	0	\$0	\$0	\$0	\$0
T.O.D. - public uses	0	15	--	--	--	--
T.O.D. - OS amenities	0	15	--	--	--	--
OS - park	0	104	--	--	--	--
Subtotal	890,500	449	\$914,400,000	\$646,481	\$117,167	\$25,146
<b>Parcel 4</b>						
R&D South Building (SF)	1,600,000	121	\$360,000,000	\$254,520	\$46,129	\$9,900
Auto Center Building (SF)	102,000	34	\$22,950,000	\$16,226	\$2,941	\$631
Long Term Ag	0	0	\$0	\$0	\$0	\$0
OS - Wildlife Corridor	0	0	--	--	--	--
Sports park	0	0	\$0	\$0	\$0	\$0
Subtotal	1,702,000	155	\$382,950,000	\$270,746	\$49,069	\$10,531
<b>TOTAL/SUMMARY</b>						
Residential Units	3,625	580	\$1,626,150,000	\$1,149,688	\$208,367	\$60,291
Office	75,000	5	\$16,875,000	\$11,931	\$2,162	\$464
Institutional	739,000	155	\$166,275,000	\$117,556	\$21,306	\$4,573
R&D	2,600,000	200	\$585,000,000	\$413,595	\$74,959	\$16,088
Retail	300,000	43	\$63,750,000	\$45,071	\$8,169	\$1,753
Auto Mall	102,000	34	\$22,950,000	\$16,226	\$2,941	\$631
Commercial Recreation	826,000	249	\$41,300,000	\$29,199	\$5,292	\$1,136
Golf Course	25,000	526	\$45,700,000	\$32,310	\$5,856	\$1,257
Cemetery	50,000	73	\$7,135,000	\$5,044	\$914	\$196
Agriculture	0	303	\$1,212,000	\$857	\$155	\$33
Sports Park	26,000	165	\$252,500	\$179	\$32	\$7
University Acreage	1,452,594	260	0	0	0	\$0
Other Open Space (2)	0	901	--	--	--	--
Total	6,199,219	3,494	\$2,576,599,500	\$1,821,656	\$330,154	\$86,428

(1) One percent of total assessed value multiplied by the County's current available tax share (7.07%).

(2) As per the Property Tax Transfer Agreement (80-2035, 10/28/80), the City of Irvine collects approximately 18.1% of the property tax in the area for annexation, with the remainder collected by the County of Orange.

(3) Transfer tax is \$0.55 per every \$1,000 of property value. Calculation assumes 5% of commercial and multifamily property is resold every year, 10% of single-family residential property.

(4) As a public entity, the University is assumed not to pay property tax.

**Table 10**  
**Sales Tax Revenues at Buildout (2013)**  
**Great Park Fiscal Impact Analysis (City of Irvine)**

Land Use	Project Description		Total Taxable Sales	Sales Tax To Irvine (1)
	SF/Units	Acres		
<b>Parcel 1</b>				
R&D North Building	1,000,000	79	\$25,000,000	\$250,000
Educational Retail	225,000	33	\$67,500,000	\$675,000
Senior Housing Units	800	80	\$0	\$0
Educational Units	60	15	\$0	\$0
University Acreage (4)	1,452,594	260	\$0	\$0
Long Term Ag	0	200	\$0	\$0
Sports Park	26,000	165	\$0	\$0
OS - Drainage Corridor	0	114	--	--
Subtotal	2,704,454	946	\$92,500,000	\$925,000
<b>Parcel 2</b>				
Residential North Units	850	270	\$0	\$0
Residential South Units	250	50	\$0	\$0
Transitional Housing	165	20	\$0	\$0
Commercial Recreation	826,000	249	\$0	\$0
Golf Course	25,000	526	\$6,250,000	\$62,500
Cemetery	50,000	73	\$0	\$0
Long Term Ag	0	103	\$0	\$0
OS - Park	0	160	--	--
OS - Drainage Corridor	0	115	--	--
OS - Wildlife Corridor	0	118	--	--
Subtotal	902,265	1,684	\$6,250,000	\$62,500
<b>Parcel 3</b>				
T.O.D. Retail	75,000	10	\$18,750,000	\$187,500
T.O.D. Office	75,000	5	\$0	\$0
T.O.D. Residential	1,500	145	\$0	\$0
Institutional Building	616,500	120	\$15,412,500	\$154,125
Institutional - OCTA Bldg	122,500	35	\$3,062,500	\$30,625
Long Term Ag	0	0	\$0	\$0
T.O.D. - public uses	0	15	--	--
T.O.D. - OS amenities	0	15	--	--
OS - park	0	104	--	--
Subtotal	890,500	449	\$37,225,000	\$372,250
<b>Parcel 4</b>				
R&D South Building (SF)	1,600,000	121	\$40,000,000	\$400,000
Auto Center Building (SF)	102,000	34	\$204,000,000	\$2,040,000
Long Term Ag	0	0	\$0	\$0
OS - Wildlife Corridor	0	0	--	--
Sports park	0	0	\$0	\$0
Subtotal	1,702,000	155	\$244,000,000	\$2,440,000
<b>TOTAL/SUMMARY</b>				
Residential Units	3,625	580	\$0	\$0
Office	75,000	5	\$0	\$0
Institutional	739,000	155	\$18,475,000	\$184,750
R&D	2,600,000	200	\$65,000,000	\$650,000
Retail	300,000	43	\$86,250,000	\$862,500
Auto Mall	102,000	34	\$204,000,000	\$2,040,000
Commercial Recreation	826,000	249	\$0	\$0
Golf Course	25,000	526	\$6,250,000	\$62,500
Cemetery	50,000	73	\$0	\$0
Agriculture	0	303	\$0	\$0
Sports Park	26,000	165	\$0	\$0
University Acreage	1,452,594	260	0	0
Other Open Space (2)	0	901	--	--
Total	6,199,219	3,494	\$379,975,000	\$3,799,750

(1) Irvine receives 1.0% of taxable sales generated in the City. This analysis assumes that all sales tax generated by commercial uses accrues entirely to the City of Irvine and that 33.0% of taxable sales made by new residents accrues to the City.

### Fines and Forfeitures

Fines and forfeitures include revenues received or bail monies forfeited upon conviction of a misdemeanor or municipal infraction. Fines and forfeitures are estimated at \$15 per capita based on the adopted City budget. This per-capita revenue amount is multiplied by the estimated population generated by each land use alternative to calculate total additional franchise fee revenue for Great Park, approximately \$125,000.

### Motor Vehicle License Tax

Motor vehicle license tax is imposed annually by the State, and a portion is dispersed to local municipalities on the basis of residential population. In the City's budget the Motor Vehicle comprises most of the budget category "Other Agencies." The Other Agencies revenue is estimated at \$53 per capita based on the adopted City budget. These per-capita revenue amounts are multiplied by the estimated population generated by each land use alternative to calculate total additional franchise fee revenue for Great Park, approximately \$452,000.

### Park Maintenance Special Tax

The City will also receive revenue from a special tax imposed on parcels in the Great Park to pay for Park maintenance, which will be transferred to the public benefit corporation. As shown on **Table 11**, these revenues will total \$9.3 million at buildout (\$2003).

### **Expenditure Assumptions**

This section describes the methodology and assumptions used for various General Fund expenditure items. **Table 7** provides a summary of the City's current General Fund expenditures as estimated in the 2002-2003 Adopted Budget and a general description of the method used for estimating each expenditure item. Several items are not forecast because they are not expected to be affected by the proposed annexation. As shown on **Table 8**, the City is projected to expend approximately \$5.0 million annually on services and related expenses in connection with Great Park. In addition, the public benefit corporation will expend approximately \$9.5 million on park and open space maintenance at great park.

### General Government

General government includes the following City departments:

- Mayor & City Council
- City Manager
- City Attorney
- City Clerk
- Human Resources
- Finance & Internal Services

**Table 11**  
**Park Maintenance Special Tax Revenues at Buildout (2013)**  
**Great Park Fiscal Impact Analysis (City of Irvine)**

Land Use	Project Description		Special Tax Revenues (2014) [1,2]	Special Tax Revenues [2003] [1]
	SF/Units	Acres		
<b>Parcel 1</b>				
R&D North Building	1,000,000	79	\$855,750	\$672,985
Educational Retail	225,000	33	\$357,465	\$281,120
Senior Housing Units	800	80	\$1,276,199	\$1,003,637
Educational Units	60	15	\$95,715	\$75,273
University Acreage (3)	1,452,594	260	\$704,098	\$553,721
Long Term Ag	0	200	\$468,496	\$368,438
Sports Park	26,000	165	\$0	\$0
OS - Drainage Corridor	0	114	\$0	\$0
Subtotal	2,704,454	946	\$3,757,723	\$2,955,174
<b>Parcel 2</b>				
Residential North Units	850	270	\$1,355,962	\$1,066,365
Residential South Units	250	50	\$398,812	\$313,636
Transitional Housing	165	20	\$263,216	\$207,000
Commercial Recreation	826,000	249	\$639,104	\$502,608
Golf Course	25,000	526	\$932,531	\$733,367
Cemetery	50,000	73	\$197,689	\$155,468
Long Term Ag	0	103	\$35,205	\$27,686
OS - Park	0	160	--	\$0
OS - Drainage Corridor	0	115	--	\$0
OS - Wildlife Corridor	0	118	--	\$0
Subtotal	902,265	1,684	\$3,822,519	\$3,006,131
<b>Parcel 3</b>				
T.O.D. Retail	75,000	10	\$108,323	\$85,188
T.O.D. Office	75,000	5	\$108,323	\$85,188
T.O.D. Residential	1,500	145	\$2,392,874	\$1,881,820
Institutional Building	616,500	120	\$0	\$0
Institutional - OCTA Bldg	122,500	35	\$0	\$0
Long Term Ag	0	0	\$0	\$0
T.O.D. - public uses	0	15	--	\$0
T.O.D. - OS amenities	0	15	--	\$0
OS - park	0	104	--	\$0
Subtotal	890,500	449	\$2,609,520	\$2,052,196
<b>Parcel 4</b>				
R&D South Building (SF)	1,600,000	121	\$1,310,706	\$1,030,774
Auto Center Building (SF)	102,000	34	\$368,297	\$289,639
Long Term Ag	0	0	\$0	\$0
OS - Wildlife Corridor	0	0	\$0	\$0
Sports park	0	0	\$0	\$0
Subtotal	1,702,000	155	\$1,679,003	\$1,320,413
<b>TOTAL/SUMMARY</b>				
Residential Units	3,625	580	\$5,782,778	\$4,547,731
Office	75,000	5	\$108,323	\$85,188
Institutional	739,000	155	\$0	\$0
R&D	2,600,000	200	\$2,166,456	\$1,703,759
Retail	300,000	43	\$465,788	\$366,308
Auto Mall	102,000	34	\$368,297	\$289,639
Commercial Recreation	826,000	249	\$639,104	\$502,608
Golf Course	25,000	526	\$932,531	\$733,367
Cemetery	50,000	73	\$197,689	\$155,468
Agriculture	0	303	\$503,701	\$396,124
Sports Park	26,000	165	\$0	\$0
University Acreage	1,452,594	260	704,098	553,721
Other Open Space	0	901	--	--
Total	6,199,219	3,494	\$11,868,765	\$9,333,914

(1) From Taussig.

(2) Because tax revenue accrues one year after development hits the tax rolls, 2014 tax rates are shown, corresponding to buildout in 2013. Assumes University pays special tax.

(3) Calculated back to \$2003.

New development that is of a relatively small scale given the size of the jurisdiction typically has limited effects upon the General Government (administrative) costs. This analysis assumes that 70 percent of General Government services will be affected by new development; the remaining 30 percent is assumed to represent fixed costs and services that will not be affected by the proposed annexation. As shown on **Table 7**, The portion of General Government costs assumed to be affected by new development are estimated at \$41 per capita based on the adopted City budget, for a total of \$471,000 annually at buildout.

### Police

The City of Irvine currently has approximately 1.09 officers per 1,000 population. EPS has used this measure and converted it to a figure based on daytime population to assess the overall demand for police services at Great Park. **Table 12** details the calculations used to estimate the cost of providing police services to Great Park based on this service level. The analysis assumes that certain security functions, such as for the Great Park and other recreational uses, will be funded through user fees and HOA assessments. As shown on **Table 12**, the City is projected to expend approximately \$2.6 million on police services at buildout. The staffing level indicated, approximately 10.5 officers for the project at buildout, is significantly less than that called for in the City's draft Urban Services Plan, which specifies approximately 37 uniformed officers, but is consistent with the current level of police protection in the City of Irvine.

### Public Works and Park Maintenance

**Table 13** details the calculations used to arrive at an estimate of the costs to the Public Works Department of providing services to Great Park. New collector and local roads will be necessary to allow for the development of Great Park. It is assumed that the City will become responsible for providing the operation and maintenance of the new streets, and associated traffic signals and street lighting. The City has set up a public benefit corporation to perform park maintenance, and will dedicate the park maintenance special tax to provide the necessary resources.

Public works road maintenance expenditures are evaluated based on the number of new road miles estimated for each development alternative, and an assumed per-mile road maintenance cost of approximately \$2,827. The per-mile maintenance cost was calculated by dividing the City's 2002-2003 total street maintenance, and traffic signal and street lighting operations and maintenance budgets by the total number of road miles in the City.

As shown on **Table 13**, the City is estimated to expend approximately \$1.2 million annually on public works and park maintenance services. The public benefit corporation is projected to expend approximately \$9.5 million annually on park and open space maintenance.

**Table 12**  
**Police Department Expenses**  
**Great Park Fiscal Impact Analysis (City of Irvine)**

Item	Value	% Total
Estimated Officers per 1,000 Daytime Population (1)	0.91	
Estimated cost per Officer (2)	\$244,308	
<b>Estimated Incremental Police Service at Buildout:</b>		
Additional Officers		
Parcel 1	2.34	
Parcel 2	4.05	
Parcel 3	3.25	
<u>Parcel 4</u>	<u>0.81</u>	
Total	10.45	
Additional Costs		
Parcel 1	\$571,881	22%
Parcel 2	\$988,635	39%
Parcel 3	\$794,710	31%
<u>Parcel 4</u>	<u>\$197,659</u>	<u>8%</u>
<b>Total Cost</b>	<b>\$2,552,884</b>	100%

(1) From Draft Urban Services Plan estimate (Cotton/Bridges Associates, April 28, 2003)  
adjusted to reflect daytime population (residential plus 50% employment).

(2) Total 2002-'03 Public Safety General Fund operations budget allocation divided by  
total number of officers.

**Table 13**  
**Public Works Department and Public Benefit Corporation Expenditures**  
**Great Park Fiscal Impact Analysis (City of Irvine)**

Department/Item	Projected Amount at Buildout				
	Parcel I	Parcel II	Parcel III	Parcel IV	Total
<b>Public Works</b>					
<u>Landscape Maintenance</u>					
New Sports Park Acres	165	0	0	0	165
Total Acres New Open Space	165	0	0	0	165
Estimated Park Maintenance Costs (2)	\$1,080,585	\$0	\$0	\$0	\$1,080,585
Estimated future Streetscape acres (3)	1.3	2.4	0.6	0.2	4.5
Estimated Streetscape Costs (4)	\$6,638	\$11,816	\$3,150	\$1,088	\$22,691
Total Landscape Maintenance Costs	\$1,087,223	\$11,816	\$3,150	\$1,088	\$1,103,276
<u>Street/Right of Way Maintenance</u>					
New Lane Miles (5)	3.6	6.4	1.7	0.6	12.3
Estimated Street Maintenance Costs (6)	\$10,181	\$18,124	\$4,832	\$1,668	\$34,805
<u>Traffic Engineering</u>					
New Traffic Signals (7)	2	3	1	0	6
Traffic Signal Maintenance Cost (8)	\$4,350	\$6,525	\$2,175	\$0	\$13,050
<b>Total Public Works Costs</b>	<b>\$1,101,754</b>	<b>\$36,464</b>	<b>\$10,158</b>	<b>\$2,756</b>	<b>\$1,151,132</b>
<b>Public Benefit Corporation</b>					
<u>Landscape Maintenance</u>					
New Park Acres	107	191	51	18	367
Habitat Preserve (1)	285	507	135	47	974
Drainage Corridor (1)	67	119	32	11	229
Wildlife Corridor (1)	35	61	16	6	118
Total Acres	386	688	183	63	1321
<b>Total Estimated Park Maintenance Costs</b>	<b>\$2,767,220</b>	<b>\$4,926,002</b>	<b>\$1,313,406</b>	<b>\$453,403</b>	<b>\$9,460,031</b>

- (1) The reported totals were taken from the Draft Urban Services Plan prepared by Cotton/Bridges Associates (4/28/03), and allocated among each parcel by the percentage of total acres as shown in Table .
- (2) Assumed annual park maintenance cost is \$6,549 per acre (community park), taken from the Irvine 2002-'03 City Budget. Habitat preserve assumed 75% cost.
- (3) Future streetscape acres estimated by applying current ratio of streetscape acres-to-lane miles to estimated future lane miles in each parcel.
- (4) Assumed annual streetscape maintenance cost is \$5,023 per lane mile, taken from the Irvine 2002-'03 City Budget.
- (5) Total new lane miles taken from infrastructure cost estimates (Fusco Engineering, Vol 2, 1/31/2003). Lane miles allocated among parcels by percentage of total acreage as shown in Table .
- (6) Assumed annual street maintenance cost is \$2,827 per lane mile, taken from the Irvine 2002-'03 City Budget.
- (7) Total new traffic signals taken from infrastructure cost estimates (Fusco Engineering, Vol 2, 1/31/2003). Signals allocated among parcels by percentage of total acreage as shown in Great Park Fiscal Impact Analysis (City of Irvine), and rounded to whole numbers.
- (8) Assumed traffic signal maintenance cost is \$2,175 per lane mile, taken from the Irvine 2002-'03 City Budget.

### Community Development

The City's Community Development Department consists of a number of administrative, planning, building, and economic development-related divisions. In EPS's research in other jurisdictions, new development typically has very little net impact on the Community Development Department costs. Those services in the Department that are affected by new development typically are covered by fees for service.

This analysis assumes that 10 percent of the General Fund budget for Community Development services will be affected by new development; the remaining 90 percent are assumed to represent fixed costs and services that will not be affected by the annexation. The portion of Community Development costs assumed to be affected by new development are estimated at \$6.00 per capita based on the adopted City budget, for total annual net cost of \$70,000.

### Community Services

The Community Services department provides a variety of direct services to the residents of Irvine as well as some facilities maintenance and open space management. The analysis assumes that 70 percent of the General Fund budget for Community services will be affected by the Great Park development. As shown on **Table 7**, the costs associated with Great Park are assumed to be approximately \$69 per capita, for a total impact of approximately \$789,000 annually.

## COUNTY FISCAL IMPACT ANALYSIS

**Table 14** provides a summary of County General Fund, OCFA budget, and Library Fund fiscal impact factors and a general description of the method used for estimating each revenue item. These factors were developed by Stanley R. Hoffman Associates, and were approved by the County for use in a 2002 fiscal impact analysis. **Table 15** presents a breakdown of the net fiscal impact to the County, OCFA and Library Fund by parcel. Several General Fund revenue items are not forecast because they are not expected to be affected by the annexation. It should be noted that the County fiscal analysis does not include Parcel IV, which roughly corresponds to the City's Planning Area 30, which is already within the City limits.

### **County Revenue Assumptions**

This section describes the methodology and assumptions used for each revenue item estimated in this analysis.



**Table 14**  
**Budget Summary**  
**Great Park Fiscal Impact Analysis (County of Orange)**

Item	Allocation Factor		Source/Table
	Per Capita	Per Employee	
<b>Revenues</b>			
Property Tax	--	--	Table 16
Transfer Tax	--	--	Table 16
Sales Tax	--	--	To Irvine
Motor Vehicle In-Lieu	\$54.91	--	Stanley Hoffman/Sedway
Library Fund	\$2.44	--	Stanley Hoffman/Sedway
Transient Occupancy Tax	--	--	not estimated
Licenses & Permits	--	--	To Irvine
Fines and Forfeitures	--	--	To Irvine
Franchise Tax	--	--	To Irvine
Other Agencies (1)	--	--	To Irvine
Subtotal Revenues			
<b>Expenditures</b>			
Sheriff Jail Costs	\$6.05	\$2.84	Stanley Hoffman/Sedway
Public Protection	\$40.30	\$18.90	Stanley Hoffman/Sedway
Community Services	\$37.45	--	Stanley Hoffman/Sedway
Infrastructure/Environmental	\$7.23	\$3.39	Stanley Hoffman/Sedway
General Government	\$15.69	\$6.44	Stanley Hoffman/Sedway
Capital Improvements	\$13.73	\$6.44	Stanley Hoffman/Sedway
Insurance, Reserves, Misc.	\$8.77	\$4.11	Stanley Hoffman/Sedway
Harbors, Beaches, & Parks	--	--	Park maint. by Irvine
Subtotal Expenditures	\$129.22	\$42.12	
<b><u>Library Fund Fiscal Impacts</u></b>			
Library Fund Revenues	1.92%	of Property Tax	Table 17
Library Service Costs	\$14.66	--	Table 17
<b><u>Fire Authority Fiscal Impacts</u></b>			
Fire Authority Revenues	12.91%	of Property Tax	Table 18
Fire Authority Service Costs	--	--	Table 18

(1) This category consists primarily (96%) of gas tax revenue.

**Table 15**  
**Fiscal Impact Summary**  
**Great Park Fiscal Impact Analysis (County of Orange)**

Item	Projected Fiscal Impacts at Buildout				
	Parcel I	Parcel II	Parcel III (1)	Parcel IV (1)	Total
<b><u>General Fund Fiscal Impacts</u></b>					
<b>Revenues</b>					
Property Tax (2)	\$342,718	\$373,686	\$89,283	\$0	\$805,687
Transfer Tax	\$16,282	\$17,753	\$4,242	\$0	\$38,277
Sales Tax	--	--	--	--	--
Motor Vehicle In-Lieu	\$93,501	\$215,450	\$0	\$0	\$308,951
Library Fund	\$4,155	\$9,574	\$0	\$0	\$13,729
Transient Occupancy Tax	--	--	--	--	--
Licenses & Permits	--	--	--	--	--
Fines and Forfeitures	--	--	--	--	--
Franchise Tax	--	--	--	--	--
Other Agencies (3)	--	--	--	--	--
Subtotal Revenues	\$456,656	\$616,463	\$93,524	\$0	\$1,166,643
<b>Expenditures</b>					
Sheriff Jail Costs	\$22,123	\$30,351	\$1,947	\$0	\$54,421
Public Protection	\$147,294	\$202,131	\$12,956	\$0	\$362,380
Community Services	\$63,770	\$146,943	\$0	\$0	\$210,712
Infrastructure/Environmental	\$26,422	\$36,261	\$2,324	\$0	\$65,007
General Government	\$53,523	\$76,557	\$4,415	\$0	\$134,495
Capital Improvements	\$50,186	\$68,867	\$4,415	\$0	\$123,467
Insurance, Reserves, Misc.	\$32,041	\$43,980	\$2,817	\$0	\$78,839
Harbors, Beaches, & Parks	--	--	--	--	--
Subtotal Expenditures	\$395,360	\$605,090	\$28,873	\$0	\$1,029,323
General Fund Balance	\$61,296	\$11,373	\$64,651	\$0	\$137,320
<b><u>Library Fund Fiscal Impacts</u></b>					
Library Fund Revenues	\$117,835	\$133,519	\$29,614	\$0	\$280,968
Library Service Costs	\$24,963	\$57,521	\$0	\$0	\$82,484
Library Fund Balance	\$92,872	\$75,998	\$29,614	\$0	\$198,484
<b><u>Fire Authority Fiscal Impacts</u></b>					
Fire Authority Revenues	\$764,621	\$833,663	\$199,182	\$0	\$1,797,466
Fire Authority Service Costs	\$248,012	\$301,885	\$10,771	\$0	\$560,668
Fire Authority Balance	\$516,609	\$531,777	\$188,412	\$0	\$1,236,798
<b>Net County Fiscal Impacts</b>	<b>\$670,777</b>	<b>\$619,148</b>	<b>\$282,676</b>	<b>\$0</b>	<b>\$1,572,601</b>

(1) Parts of Parcel III and all of Parcel IV lie within Planning Area 30, which is already within the City of Irvine. This fiscal analysis is of the proposed annexation, and therefore does not evaluate fiscal impacts to areas already within City limits.

(2) Assumes University does not pay property tax.  
 first year following buildout.

### Property Tax

Property tax forecasts are based on estimates of assessed value for each of the land use alternatives. Annual property tax is one percent of assessed value, of which the County General Fund is estimated to receive approximately 5.8 percent of the basic 1.0 percent levy based on the Master Property Tax Transfer Agreement. In addition, the County will receive additional property tax revenues for the OCFA (12.9 percent), the Library Fund (1.9 percent), and the Harbors, Beaches and Parks Fund (1.8 percent). **Table 16** details the calculation of property tax revenue for the County stemming from the Great Park development, totaling approximately \$806,000 annually at buildout.

### Property Transfer Tax

The property transfer tax is \$0.55 per \$1,000 of annual transfer of residential property value. It is assumed that in any given year, an average of ten percent of the for-sale residential units and five percent of the commercial and rental properties will be re-sold. As shown on **Table 16**, the property transfer tax is anticipated to generate approximately \$38,000 in revenue annually.

This revenue item will be significantly greater during buildout and initial sales, but will stabilize after a number of years.

### Library Fund

The County Library Fund receives a share of the property tax revenue from Great Park, in addition to revenue from other sources such as fees. As shown on **Table 17**, the Library Fund is projected to receive approximately \$281,000 annually at buildout, consisting mostly of \$267,000 in property tax revenue.

### Motor Vehicle License Tax

Motor vehicle license tax is imposed annually by the State, and a portion is dispersed to local municipalities on the basis of residential population. As shown on **Table 15**, the County is calculated to receive approximately \$309,000 annually.

### Orange County Fire Authority

The OCFA has an independent property tax allotment to cover the cost of providing fire protection in the County. **Table 18** details the calculation of the OCFA's revenue from the Great Park Development, calculated to total approximately \$1.8 million annually at buildout.

### **County General Fund Expenditure Assumptions**

This section describes the methodology and assumptions used for various General Fund expenditure items. **Table 14** provides a summary of County General Fund expenditure factors, also developed by Stanley R. Hoffman Associates, and a general description of the method used for estimating each expenditure item. Several items are not forecast because they are not expected to be affected by the proposed annexation.

**Table 16**  
**Property Tax and Transfer Tax Revenues at Buildout (2013)**

Land Use	Project Description		Assessed Value at Buildout	Property Tax		Transfer Tax (3)
	SF/Units	Acres		Total (1)	To County (2)	
<b>Parcel 1</b>						
R&D North Building	1,000,000	79	\$225,000,000	\$159,075	\$130,245	\$6,188
Educational Retail	225,000	33	\$45,000,000	\$31,815	\$26,049	\$1,238
Senior Housing Units	800	80	\$300,000,000	\$212,100	\$173,659	\$8,250
Educational Units	60	15	\$21,000,000	\$14,847	\$12,156	\$578
University Acreage (4)	1,452,594	260	\$34,211	\$0	\$0	\$1
Long Term Ag	0	200	\$800,000	\$566	\$463	\$22
Sports Park	26,000	165	\$252,500	\$179	\$146	\$7
OS - Drainage Corridor	0	114	--	--	--	--
Subtotal	2,704,454	946	\$592,086,711	\$418,581	\$342,718	\$16,282
<b>Parcel 2</b>						
Residential North Units	850	270	\$403,750,000	\$285,451	\$233,717	\$11,103
Residential South Units	250	50	\$162,500,000	\$114,888	\$94,065	\$4,469
Transitional Housing	165	20	\$26,400,000	\$18,665	\$15,282	\$726
Commercial Recreation	826,000	249	\$12,450	\$9	\$7	\$0
Golf Course	25,000	526	\$45,700,000	\$32,310	\$26,454	\$1,257
Cemetery	50,000	73	\$7,135,000	\$5,044	\$4,130	\$196
Long Term Ag	0	13	\$52,000	\$37	\$30	\$1
OS - Park	0	160	--	--	--	--
OS - Drainage Corridor	0	115	--	--	--	--
OS - Wildlife Corridor	0	118	--	--	--	--
Subtotal	902,265	1,594	\$645,549,450	\$456,403	\$373,686	\$17,753
<b>Parcel 3</b>						
T.O.D. Retail	0	0	\$0	\$0	\$0	\$0
T.O.D. Office	0	0	\$0	\$0	\$0	\$0
T.O.D. Residential	0	0	\$0	\$0	\$0	\$0
Institutional Building	563,000	100	\$126,675,000	\$89,559	\$73,328	\$3,484
Institutional - OCTA Bldg	122,500	35	\$27,562,500	\$19,487	\$15,955	\$758
Long Term Ag	0	0	\$0	\$0	\$0	\$0
T.O.D. - public uses	0	8	--	--	--	--
T.O.D. - OS amenities	0	6	--	--	--	--
OS - park	0	104	--	--	--	--
Subtotal	685,500	253	\$154,237,500	\$109,046	\$89,283	\$4,242
<b>Parcel 4</b>						
R&D South Building (SF)	0	0	\$0	\$0	\$0	\$0
Auto Center Building (SF)	0	0	\$0	\$0	\$0	\$0
Long Term Ag	0	0	\$0	\$0	\$0	\$0
OS - Wildlife Corridor	0	0	--	--	--	--
Sports park	0	0	\$0	\$0	\$0	\$0
Subtotal	0	0	\$0	\$0	\$0	\$0
<b>TOTAL/SUMMARY</b>						
Residential Units	2,125	435	\$913,650,000	\$645,951	\$528,880	\$25,125
Office	0	0	\$0	\$0	\$0	\$0
Institutional	685,500	135	\$154,237,500	\$109,046	\$89,283	\$4,242
R&D	1,000,000	79	\$225,000,000	\$159,075	\$130,245	\$6,188
Retail	225,000	33	\$45,000,000	\$31,815	\$26,049	\$1,238
Auto Mall	0	0	\$0	\$0	\$0	\$0
Commercial Recreation	826,000	249	\$12,450	\$9	\$7	\$0
Golf Course	25,000	526	\$45,700,000	\$32,310	\$26,454	\$1,257
Cemetery	50,000	73	\$7,135,000	\$5,044	\$4,130	\$196
Agriculture	0	213	\$852,000	\$602	\$493	\$23
Sports Park	26,000	165	\$252,500	\$179	\$146	\$7
University Acreage	1,452,594	260	\$34,211	0	0	\$1
Other Open Space (2)	0	885	--	--	--	--
Total	4,292,219	3,053	\$1,391,873,661	\$984,030	\$805,687	\$38,277

(1) One percent of total assessed value multiplied by the County's current available tax share (7.07%).

(2) As per the Property Tax Transfer Agreement (80-2035, 10/28/80), the City of Irvine collects approximately 18.1% of the property tax in the area proposed for annexation, with the remainder collected by the County of Orange.

(3) Transfer tax is \$0.55 per every \$1,000 of property value. Calculation assumes 5% of property is resold every year.

(4) As a public entity, the University is assumed not to pay property tax.

**Table 17**  
**Public Library Fund Fiscal Impacts**  
**Great Park Fiscal Impact Analysis (County of Orange)**

			Amount				
Allocation Factor (1)			Parcel I	Parcel II	Parcel III	Parcel IV	Total
<b>Revenues (1)</b>							
Property Tax	1.92%	of 1% levy	\$113,681	\$123,945	\$29,614	\$0	\$267,240
Use of Money & Property	\$0.14	per capita	\$238	\$549	\$0	\$0	\$788
Intergovernmental Rev.	\$0.95	per capita	\$1,618	\$3,728	\$0	\$0	\$5,345
Charges for Services	\$0.82	per capita	\$1,396	\$3,217	\$0	\$0	\$4,614
Misc. Revenues	\$0.19	per capita	\$324	\$746	\$0	\$0	\$1,069
<u>Other Financing Sources</u>	<u>\$0.34</u>	<u>per capita</u>	<u>\$579</u>	<u>\$1,334</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,913</u>
Total			\$117,835	\$133,519	\$29,614	\$0	\$280,968
<b>Expenditures</b>							
Ongoing Service Costs	14.66	per capita	\$24,963	\$57,521	\$0	\$0	\$82,484
<b>Net Fiscal Balance</b>			<b>\$92,872</b>	<b>\$75,998</b>	<b>\$29,614</b>	<b>\$0</b>	<b>\$198,484</b>

(1) Sedway Group and Stanley R. Hoffman Associates.

### General Government

General government includes the following County Functions:

- Board of Supervisors
- County Administration
- County Counsel

In EPS's research in other jurisdictions, new development typically has very little impact on the General Government costs. As a result, this analysis assumes that 10 percent of General Government services will be affected by new development; the remaining 90 percent are assumed to represent fixed costs and services that will not be affected by the proposed annexation. The portion of General Government costs assumed to be affected by new development are estimated at \$6.44 per capita and \$15.69 per employee.

### Orange County Fire Authority

Based on information provided by the OCFA, it is estimated that the Great Park development in the Annexation Area will require approximately \$561,000 annually. This estimate assumes a cost per service call of \$609, and is detailed in **Table 18**.

### Road Fund

All roads will be maintained by the City, and therefore the Road Fund will not incur any expenses in connection with the Great Park Plan.

### Library

This analysis estimates on a per-capita basis the incremental impact new development proposed in the Annexation Area will have on the library. Library costs are estimated at \$14.66 per capita. The number has been utilized, along with the number of new residents expected in Great Park, to derive an annual cost to the Library Fund of approximately \$82,000, as detailed on **Table 17**.

### Harbors, Beaches and Parks

The Harbors, Beaches and Parks fund will not incur any direct costs as a result of the development of the Great Park Plan, as all park maintenance and other responsibilities will be carried out by the City of Irvine. The analysis does assume, however, that the additional population living in Great Park will create some additional demand on County services and facilities under the purview of the Fund. For the purposes of this analysis, however, EPS assumes that the property tax revenue received by the Harbors, Beaches and Parks fund from its property tax allotment will be sufficient to cover this.

**Table 18**  
**Orange County Fire Authority Fiscal Impacts**  
**Great Park Fiscal Impact Analysis (County of Orange)**

	Value
<b>Revenues (1)</b>	
Parcel I	\$764,621
Parcel II	\$833,663
Parcel III	\$199,182
Parcel IV	\$0
Total	\$1,797,466
<b>Expenditures</b>	
<u>Calls for Service Assumptions</u>	
Residential calls for service	0.3536 per DUE
SF Unit, detached	1.0 DUE
SF Unit, attached	0.8 DUE
Non-residential calls for service	0.0258 per employee
Cost per Call for Service	\$609
<u>Estimated Calls for Service at Buildout</u>	
Parcel I (2)	407
Parcel II (3)	496
Parcel III (4)	18
Parcel IV	0
Total	921
<u>Estimated Annual Fire Authority Service Costs</u>	
Parcel I	\$248,012
Parcel II	\$301,885
Parcel III	\$10,771
Parcel IV	\$0
<b>Total</b>	<b>\$560,668</b>

(1) The Orange County Fire Authority receives 12.914% of the one-percent property tax.

(2) Assumes Senior units are single family and Educational Units are multi-family

(3) Assumes all units except Transitional Units are single family.

(4) Assumes all units are multi-family.

## FEASIBILITY ANALYSIS

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EPS has conducted an analysis of the feasibility of the development of the Overlay Plan at Great Park, in particular examining the sufficiency of resources to construct the needed capital facilities. This analysis draws from the work performed for the City in formulating its proposal to annex and develop the El Toro MCAS. EPS has reviewed the materials provided by the City of Irvine in support of its annexation proposal, including detailed infrastructure cost estimates, and financial analysis. In analyzing the Overlay Plan, EPS either verified information provided by the City, updated such information, or obtained independent information from other sources. In a number of cases the assumptions used by different consultants to the City differed. **Table 19** details the assumptions and data used in the analysis and the sources.

### SUMMARY

The Great Park Plan appears to be financially feasible, able to support the infrastructure required to serve it, and to create no net fiscal burden on either the City or County. This conclusion, however, is dependent on a number of assumptions that have been detailed in this report, especially with regard to the financial feasibility. The failure of one or more of these assumptions would likely change this conclusion and require fundamental adjustments in the Great Park Plan.

### METHODOLOGY AND ASSUMPTIONS

In order to assess the feasibility of the development at Great Park, and therefore its ability to fund the infrastructure necessary to provide services, EPS constructed a cash flow model. The cash flow analysis estimates the price a developer would receive for each type of land in a developed state, and subtracts the costs of development, including impact fees, infrastructure, and other costs, resulting in a net annual cash flow. For each parcel, EPS estimated the value of the development to be constructed and drew on the development schedule implied in work already performed for the City of Irvine. EPS formulated a cash flow analysis estimating revenues from sales and the costs of development fees, exactions, and other costs, scheduled through 2013. Based on this analysis, EPS has determined that the Great Park Plan developed by the City of Irvine is likely to generate sufficient financial resources to provide for the infrastructure necessary to support the project.



**Table 19**  
**Analysis Components**  
**Orange County Great Park Analysis - Overlay Plan**

Item	Source	Action
Developed Property Value	City of Irvine (City)	Verified, Reconciled, Filled In (1)
Improved Land Value	Economic & Planning Systems, Inc. (EPS)	
Sales Tax Revenues	EPS	
Special Tax Burdens	Taussig & Associates, Inc. (Taussig)	Unchanged
Project Description	Sedway Group (Sedway), Taussig	Reconciled
Project Absorption	Sedway, Taussig	Verified and Reconciled
Infrastructure Cost Estima	Fuscoe Engineering, Taussig	Reconciled
Infrastructure Schedule	Taussig	Inferred Parcel Allocation
Cash Flow Model	EPS	

(1) In some cases, such as commercial recreation, the data provided by the City did not contain information about valuations. In other cases the values cited by different consultants differed and EPS reconciled them.

## **METHODOLOGY, SOURCES, AND ASSUMPTIONS**

EPS has applied data and assumptions provided by the City, along with independent analysis and estimates of the profitability of vertical development at Great Park, to determine the resources available to fund the infrastructure development necessary to support the uses anticipated in the Overlay Plan.

In order for the development at Great Park to proceed as planned, a number of assumptions made in the EPS model and implicit in the City's own analysis must come to pass. If some of these assumptions are not correct, the project may require restructuring to be feasible. Several of these factors, including market values, infrastructure costs, and absorption, are risks common to most development projects. The unique transaction structure proposed by the City of Irvine, however, and its relative inflexibility owing to its dependence on the willingness of developers to sign an existing development agreement, makes the Great Park plan more susceptible to these factors than might normally be the case.

### **UNIVERSITY DEVELOPMENT**

The EPS analysis, as well as that of the City, assumes that the land set aside for a university will be sold for approximately \$175,000 per acre,<sup>4</sup> and that the purchasing university will agree to join the Community Facilities District and pay special taxes, which will be used to secure approximately \$172 million in net bond proceeds for infrastructure. The City has informed EPS that in the event a university does not elect to participate in the CFD, the university will take care of its infrastructure responsibility through another means, such as an up-front payment. If the purchasing university does not agree to pay for the land, or refuses to join the CFD or otherwise take care of its infrastructure responsibilities, other portions of that parcel, or the larger project, will have to bear a greater infrastructure burden.<sup>5</sup>

### **DEVELOPMENT AGREEMENT**

The EPS analysis assumes that the purchasers of the parcels will agree to sign the development agreement in exchange for the improved zoning of the Overlay Plan. In exchange for this zoning, the purchasers agree to a payment of \$200 million and a Mello-Roos bond, secured by their land, of approximately \$218 million (net proceeds of

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<sup>4</sup> Calculated price derived from a special tax allocation of \$1,751 per acre as specified by David Taussing and Associates, Inc., with a total tax burden of two percent.

<sup>5</sup> The ability of California public universities to pay development impact fees has recently been called into question. See *City of Marina v. Board of Trustees of the California State University*, \_\_\_ Cal.App.4th \_\_\_, Case No. H023158 (6th Dist. June 17, 2003). Additionally, publicly owned property is generally exempt from the levy of special taxes.

approximately \$172 million). This assumption has been drawn from the City's Great Park Plan unchanged. It should be noted, however, that the purchaser of the land in question are under no obligation to sign, and may attempt to negotiate the terms of the development agreement. They would do so, however, at the risk of foregoing entitlements on land they have already purchased. An additional possibility is that some parcel owners sign the Development Agreement and others refuse. If this were to happen it is not clear that the project would remain feasible for the remaining parcels, because some infrastructure projects are shared among them and may not be functional if partially constructed.

### INFRASTRUCTURE DEVELOPMENT SCHEDULE

The Great Park Plan calls for an extremely aggressive development schedule, with infrastructure construction occurring on all four parcels simultaneously. The EPS analysis assumes that the infrastructure will be constructed on schedule on all parcels. It may be the case, however, especially if the auction results in more than one purchaser of the four parcels, that disputes will arise over the phasing and construction of infrastructure. The City of Irvine has created a community benefit corporation that will receive the infrastructure funding and supervise construction. Delays in infrastructure construction on one or more parcels could undermine the financial viability of development by delaying the receipt by the developer of land sales revenue from improved parcels.

### MARKET VALUES

EPS has used the market prices for residential and commercial property provided by the City, after verification from its own sources. For other uses, such as commercial recreation, golf courses, and the cemetery, EPS has estimated value based upon anticipated cash flows. A significant downward deviation in these prices would affect the economics of the purchasers of the land, and therefore affect the viability of the project and its infrastructure program. If the purchasers have signed the development agreement, however, and therefore paid the development fee and formed the requisite Community Facilities District to fund infrastructure, the infrastructure program will remain viable.

### INFRASTRUCTURE COSTS

EPS has examined the infrastructure costs provided by the City and they appear reasonable. In addition to the customary contingency factor, the City has included approximately \$18 million for unspecified additional infrastructure costs. No independent evaluation has been performed, however, and significant increases in infrastructure construction costs could negatively affect the financial viability of the project.

## ABSORPTION

EPS has assumed that the absorption schedule detailed in the City's analysis will proceed as planned. Based on independent analysis, EPS has concluded that the residential market is quite strong and the assumed absorption schedule for residential product types is achievable. The commercial market in southern Orange County is not nearly as strong, and the absorption contemplated may be more difficult to achieve. Slower absorption of the commercial development would negatively affect the economics of the project and may make it more difficult to support the services and infrastructure required for the project.